

# Senate Study Bill 3228

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED AUDITOR OF  
STATE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning the duties and responsibilities of the auditor  
2 of state.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 5454XD 82  
5 ec/sc/14

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1 1 Section 1. Section 11.1, Code 2007, is amended to read as  
1 2 follows:  
1 3 11.1 DEFINITIONS.  
1 4 1. For purposes of this chapter, unless the context  
1 5 otherwise requires:  
1 6 a. The term "department" shall be construed to mean  
1 7 "Department" means any authority charged by law with official  
1 8 responsibility for the expenditure of public money of the  
1 9 state and any agency receiving money from the general revenues  
1 10 of the state.  
1 11 b. "Examination" means procedures that are less in scope  
1 12 than an audit but which are directed toward reviewing  
1 13 financial activities and compliance with legal requirements.  
1 14 c. "Governmental subdivision" means cities and  
1 15 administrative agencies established by cities, hospitals or  
1 16 health care facilities established by a city, counties, county  
1 17 hospitals organized under chapters 347 and 347A, memorial  
1 18 hospitals organized under chapter 37, entities organized under  
1 19 chapter 28E, community colleges, area education agencies, and  
1 20 school districts.  
1 21 d. "Regents institutions" means the institutions governed  
1 22 by the board of regents under section 262.7.  
1 23 2. As used in this chapter, unless the context otherwise  
1 24 requires, "book", "list", "record", or "schedule" kept by a  
1 25 county auditor, assessor, treasurer, recorder, sheriff, or  
1 26 other county officer means the county system as defined in  
1 27 section 445.1.  
1 28 Sec. 2. Section 11.2, subsection 1, Code Supplement 2007,  
1 29 is amended to read as follows:  
1 30 1. The auditor of state shall annually, and more often if  
1 31 deemed necessary, ~~make a full settlement between audit the~~  
1 32 ~~state and all state officers and departments and all persons~~  
1 33 ~~receiving or expending state funds, and shall annually make a~~  
1 34 ~~complete audit of the books and accounts of every department~~  
1 35 ~~of the state.~~  
2 1 ~~Provided, except~~ that the accounts, records, and documents  
2 2 of the treasurer of state shall be audited daily.  
2 3 ~~Provided further, that a preliminary audit of the~~  
2 4 ~~educational institutions and the state fair board shall be~~  
2 5 ~~made periodically, at least quarterly, to check the monthly~~  
2 6 ~~reports submitted to the director of the department of~~  
2 7 ~~administrative services as required by section 8A.502,~~  
2 8 ~~subsection 9, and that a final audit of such state agencies~~  
2 9 ~~shall be made at the close of each fiscal year.~~  
2 10 Sec. 3. Section 11.2, Code Supplement 2007, is amended by  
2 11 adding the following new subsection:  
2 12 NEW SUBSECTION. 1A. Departments shall immediately notify  
2 13 the auditor of state regarding any suspected embezzlement,  
2 14 theft, or other significant financial irregularities.  
2 15 Sec. 4. Section 11.2, subsection 2, unnumbered paragraphs  
2 16 2, 3, and 4, Code Supplement 2007, are amended to read as  
2 17 follows:  
2 18 The state board of regents shall make available to the  
2 19 auditor of state and treasurer of state the most recent annual

2 20 report of any investment entity or investment professional  
2 21 employed by ~~an a regents~~ institution ~~governed by the board~~.  
2 22 All contracts or agreements with an investment entity or  
2 23 investment professional employed by ~~an a regents~~ institution  
2 24 ~~governed by the state board of regents~~ shall require the  
2 25 investment entity or investment professional employed by ~~an a~~  
2 26 ~~regents~~ institution ~~governed by the state board of regents~~ to  
2 27 notify in writing the state board of regents within thirty  
2 28 days of receipt of all communication from an independent  
2 29 auditor or the auditor of state or any regulatory authority of  
2 30 the existence of a material weakness in internal control  
2 31 ~~structure~~, or regulatory orders or sanctions against the  
2 32 investment entity or investment professional, with regard to  
2 33 the type of services being performed under the contracts or  
2 34 agreements. This provision shall not be limited or avoided by  
2 35 another contractual provision.

3 1 The audit under this section shall not be certified until  
3 2 the most recent annual reports of any investment entity or  
3 3 investment professional employed by ~~an a regents~~ institution  
3 4 ~~governed by the state board of regents~~ are reviewed by the  
3 5 auditor of state.

3 6 Sec. 5. Section 11.4, Code 2007, is amended to read as  
3 7 follows:

3 8 11.4 REPORT OF AUDITS.

3 9 1. The auditor of state shall make or cause to be made and  
3 10 filed and kept in the auditor's office written reports of all  
3 11 audits and examinations, which reports shall ~~set out in detail~~  
3 12 ~~include, if applicable, the following:~~

3 13 1- ~~a.~~ The ~~actual financial~~ condition of ~~such the state or~~  
3 14 ~~department found to exist on every examination.~~

3 15 2- ~~b.~~ Whether, in the auditor's opinion:  
3 16 a- (1) All funds have been expended for the purpose for  
3 17 which appropriated.  
3 18 b- (2) The department so audited ~~and or~~ examined is  
3 19 efficiently conducted, and if the maximum results for the  
3 20 money expended are obtained.  
3 21 c- (3) The work of the departments so audited or examined  
3 22 needlessly conflicts with or duplicates the work done by any  
3 23 other department.

3 24 3- ~~c.~~ All illegal or unbusinesslike practices.  
3 25 4- ~~d.~~ Any recommendations for greater simplicity,  
3 26 accuracy, efficiency, or economy in the operation of the  
3 27 business of the several departments and institutions.

3 28 5- ~~Comparisons of prices paid and terms obtained by the~~  
3 29 ~~various departments for goods and services of like character~~  
3 30 ~~and reasons for differences therein, if any.~~

3 31 6- ~~e.~~ Any other information which, in the auditor's  
3 32 judgment, may be of value ~~to the auditor.~~  
3 33 ~~All such reports shall be filed and kept in the auditor's~~  
3 34 ~~office.~~

3 35 2. The state auditor is hereby authorized to obtain,  
4 1 maintain, and operate, under the auditor's exclusive control,  
4 2 such machinery as may be necessary to print confidential  
4 3 reports and documents originating in the auditor's office.

4 4 Sec. 6. Section 11.5A, Code 2007, is amended to read as  
4 5 follows:

4 6 11.5A AUDIT COSTS.

4 7 When requested by the auditor of state, the department of  
4 8 management shall transfer from any unappropriated funds in the  
4 9 state treasury an amount not exceeding the expenses and  
4 10 prorated salary costs already paid to perform ~~examinations~~  
4 11 ~~audits~~ of state ~~executive departments and agencies, and the~~  
4 12 offices of the judicial branch, and federal financial  
4 13 assistance, as defined in ~~Pub. L. No. 98-502~~ the federal  
4 14 Single Audit Act, 31 U.S.C. } 7501, et seq., received by all  
4 15 other departments, as listed in section 11.5B, for which  
4 16 payments by agencies have not been made. Upon payment by the  
4 17 departments, the auditor of state shall credit the payments to  
4 18 the state treasury.

4 19 Sec. 7. Section 11.5B, unnumbered paragraph 1, Code 2007,  
4 20 is amended to read as follows:

4 21 The auditor of state shall be reimbursed by a department or  
4 22 agency for performing audits or examinations of the following  
4 23 state departments or agencies, or funds received by a  
4 24 department or agency:

4 25 Sec. 8. Section 11.5B, subsection 13, Code 2007, is  
4 26 amended to read as follows:

4 27 13. Federal financial assistance, as defined in ~~Pub. L.~~  
4 28 ~~No. 98-502~~ the federal Single Audit Act, 31 U.S.C. } 7501, et  
4 29 seq., received by all other departments.

4 30 Sec. 9. Section 11.5B, Code 2007, is amended by adding the

4 31 following new subsection:

4 32 NEW SUBSECTION. 15. Office of energy independence.

4 33 Sec. 10. Section 11.6, subsection 1, paragraph a, Code  
4 34 2007, is amended to read as follows:

4 35 a. ~~The Except for entities organized under chapter 28E~~

~~5 1 having gross receipts of one hundred thousand dollars or less~~

~~5 2 in a fiscal year, the financial condition and transactions of~~

~~5 3 all cities and city offices, counties, county hospitals~~

~~5 4 organized under chapters 347 and 347A, memorial hospitals~~

~~5 5 organized under chapter 37, entities organized under chapter~~

~~5 6 28E having gross receipts in excess of one hundred thousand~~

~~5 7 dollars in a fiscal year, merged areas, area education~~

~~5 8 agencies, and all school offices in school districts,~~

~~5 9 governmental subdivisions shall be examined audited at least~~

~~5 10 once each year, except that. However, cities having a~~

~~5 11 population of seven hundred or more but less than two thousand~~

~~5 12 shall be examined at least once every four years, and cities~~

~~5 13 having a population of less than seven one thousand five~~

~~5 14 hundred may be examined as otherwise provided in this section.~~

~~5 15 The examination shall cover the fiscal year next preceding the~~

~~5 16 year in which the audit is conducted. The examination audit~~

~~5 17 of school offices districts shall include an audit of all~~

~~5 18 school funds, the certified annual financial report, the~~

~~5 19 certified enrollment as provided in section 257.6, and the~~

~~5 20 revenues and expenditures of any nonprofit school organization~~

~~5 21 established pursuant to section 279.62. Differences in~~

~~5 22 certified enrollment shall be reported to the department of~~

~~5 23 management. The examination audit of a city that owns or~~

~~5 24 operates a municipal utility providing local exchange services~~

~~5 25 pursuant to chapter 476 shall include an audit performing~~

~~5 26 tests of the city's compliance with section 388.10. The~~

~~5 27 examination audit of a city that owns or operates a municipal~~

~~5 28 utility providing telecommunications services pursuant to~~

~~5 29 section 388.10 shall include an audit performing tests of the~~

~~5 30 city's compliance with section 388.10.~~

5 31 Subject to the exceptions and requirements of subsection 2

5 32 and subsection 4, paragraph "c" "a", subparagraph (3),

5 33 ~~examinations audits~~ shall be made as determined by the

5 34 governmental subdivision either by the auditor of state or by

5 35 certified public accountants, certified in the state of Iowa,

6 1 and they shall be paid from the proper public funds of the

6 2 governmental subdivision.

6 3 Sec. 11. Section 11.6, subsection 1, Code 2007, is amended

6 4 by adding the following new paragraph after paragraph a:

6 5 NEW PARAGRAPH. aa. The financial condition and

6 6 transactions of community mental health centers organized

6 7 under chapter 230A, substance abuse programs organized under

6 8 chapter 125, and community action agencies organized under

6 9 chapter 216A, shall be audited at least once each year.

6 10 Sec. 12. Section 11.6, subsection 1, paragraph b, Code

6 11 2007, is amended to read as follows:

6 12 b. (1) In conjunction with the audit of the governmental

~~6 13 subdivision required under this section, the person performing~~

~~6 14 the audit auditor shall also perform tests for compliance with~~

~~6 15 the investment policy of a reasonable number of investment~~

~~6 16 transactions in relation to the total investments and quantity~~

~~6 17 of transactions in the period audited the governmental~~

~~6 18 subdivision. The results of the compliance testing shall be~~

~~6 19 reported in accordance with generally accepted auditing~~

~~6 20 standards. The person performing the audit auditor may also~~

~~6 21 make recommendations for changes to investment policy or~~

~~6 22 practices. The governmental subdivision is responsible for~~

~~6 23 the remedy of reported noncompliance with its policy or~~

~~6 24 practices.~~

6 25 (2) As part of its audit, the governmental subdivision is

6 26 responsible for obtaining and providing to the ~~person~~

~~6 27 performing the audit auditor~~ the audited financial statements

6 28 and related report on internal control ~~structure~~ of outside

6 29 persons, performing any of the following during the period

6 30 under audit for the governmental subdivision:

6 31 (a) Investing public funds.

6 32 (b) Advising on the investment of public funds.

6 33 (c) Directing the deposit or investment of public funds.

6 34 (d) Acting in a fiduciary capacity for the governmental

6 35 subdivision.

7 1 The audit under this section shall not be certified until

7 2 all material information required by this subparagraph is

7 3 reviewed by the ~~person performing the audit auditor.~~

7 4 (3) The review by the ~~person performing the audit auditor~~

7 5 of the most recent annual report to shareholders of an

7 6 open-end management investment company or an unincorporated

7 7 investment company or investment trust registered with the  
7 8 federal securities and exchange commission under the federal  
7 9 Investment Company Act of 1940, 15 U.S.C. } 80(a), pursuant to  
7 10 17 C.F.R. } 270.30d-1 or the review, by the ~~person performing~~  
7 11 ~~the audit auditor~~, of the most recent annual report to  
7 12 shareholders, call reports, or the findings pursuant to a  
7 13 regular examination under state or federal law, to the extent  
7 14 the findings are not confidential, of a bank, savings and loan  
7 15 association, or credit union shall satisfy the review  
7 16 requirements of this paragraph.

7 17 (4) All contracts or agreements with outside persons  
7 18 performing any of the functions listed in subparagraph (2)  
7 19 shall require the outside person to notify in writing the  
7 20 governmental subdivision within thirty days of receipt of all  
7 21 communication from the ~~person performing the audit auditor~~ or  
7 22 any regulatory authority of the existence of a material  
7 23 weakness in internal control ~~structure~~, or regulatory orders  
7 24 or sanctions against the outside person, with regard to the  
7 25 type of services being performed under the contracts or  
7 26 agreements. This provision shall not be limited or avoided by  
7 27 another contractual provision.

7 28 (5) As used in this subsection, "outside person" excludes  
7 29 a bank, savings and loan association, or credit union when  
7 30 acting as an approved depository pursuant to chapter 12C.

7 31 (6) A joint investment trust organized pursuant to chapter  
7 32 28E shall file the audit reports required by this chapter with  
7 33 the administrator of the securities and regulated industries  
7 34 bureau of the insurance division of the department of commerce  
7 35 within ten days of receipt from the auditor. The auditor of a  
8 1 joint investment trust shall provide written notice to the  
8 2 administrator of the time of delivery of the reports to the  
8 3 joint investment trust.

8 4 (7) If during the course of an audit of a joint investment  
8 5 trust organized pursuant to chapter 28E, the auditor  
8 6 determines the existence of a material weakness in the  
8 7 internal control ~~structure~~ or a material violation of the  
8 8 internal control ~~structure~~, the auditor shall report the  
8 9 determination to the joint investment trust which shall notify  
8 10 the administrator in writing within twenty-four hours, and  
8 11 provide a copy of the notification to the auditor. The  
8 12 auditor shall provide, within twenty-four hours of the receipt  
8 13 of the copy of the notice, written acknowledgment of the  
8 14 receipt to the administrator. If the joint investment trust  
8 15 does not make the notification within twenty-four hours, or  
8 16 the auditor does not receive a copy of the notification within  
8 17 twenty-four hours, the auditor shall immediately notify the  
8 18 administrator in writing of the material weakness in the  
8 19 internal control ~~structure~~ or the material violation of the  
8 20 internal control ~~structure~~.

8 21 Sec. 13. Section 11.6, subsection 2, Code 2007, is amended  
8 22 to read as follows:

8 23 2. ~~a. A city, community college, school district, area~~  
8 24 ~~education agency, entity organized under chapter 28E, county,~~  
8 25 ~~county hospital or memorial hospital governmental subdivision,~~  
8 26 ~~community mental health center, substance abuse program, or~~  
8 27 ~~community action agency, desiring to contract with or employ~~  
8 28 ~~certified public accountants shall utilize procedures which~~  
8 29 ~~include a written request for proposals.~~

8 30 ~~b. The governing body of a city, community college, school~~  
8 31 ~~district, area education agency, entity organized under~~  
8 32 ~~chapter 28E, county, county hospital, or memorial hospital~~  
8 33 ~~utilizing the auditor of state instead of a certified public~~  
8 34 ~~accountant to perform an audit shall notify the auditor of~~  
8 35 ~~state by June 1 of the year to be audited. If the governing~~  
9 1 ~~body fails to notify the auditor of state of the decision to~~  
9 2 ~~use the auditor of state, the auditor of state may perform the~~  
9 3 ~~audit required in subsection 1 only if provisions are not made~~  
9 4 ~~by the governing body to contract for the audit.~~

9 5 Sec. 14. Section 11.6, subsection 3, Code 2007, is amended  
9 6 to read as follows:

9 7 3. ~~a. A township or city for which examinations audits~~  
9 8 ~~are not required under subsection 1 may contract with or~~  
9 9 ~~employ the auditor of state or certified public accountants~~  
9 10 ~~for an audit or examination of its financial transactions and~~  
9 11 ~~condition of its funds. A financial examination is mandatory~~  
9 12 ~~Payment for the audit or examination shall be made from the~~  
9 13 ~~proper public funds of the township or city.~~

9 14 ~~b. The auditor of state shall conduct an audit or~~  
9 15 ~~examination on application by one hundred or more taxpayers~~  
9 16 ~~eligible electors residing in the township or city, as~~  
9 17 ~~applicable, or if there are the population of the township or~~

~~9 18 city is fewer than five hundred taxpayers in the township or~~  
~~9 19 city, then by fifteen percent of the taxpayers registered~~  
~~9 20 voters in the township or city, as applicable. The auditor of~~  
~~9 21 state may conduct an audit or examination of a township or~~  
~~9 22 city on application by an employee or elected official of such~~  
~~9 23 township or city. A copy of the application shall be filed~~  
~~9 24 with the auditor of state. Payment for the audit or~~  
9 25 examination shall be made from the proper public funds of the  
9 26 township or city.  
9 27 Sec. 15. Section 11.6, subsection 4, Code 2007, is amended  
9 28 to read as follows:  
9 29 4. a. In addition to the powers and duties under other  
9 30 provisions of the Code, the auditor of state may at any time  
9 31 cause to be made a complete or partial reaudit of the  
9 32 financial condition and transactions of any ~~city, county,~~  
~~9 33 county hospital, memorial hospital, entity organized under~~  
~~9 34 chapter 28E, merged area, area education agency, school~~  
~~9 35 corporation, township, or other governmental subdivision, or~~  
10 1 an office of any of these governmental subdivision, if ~~one any~~  
10 2 of the following conditions exists:  
10 3 a. (1) The auditor of state has probable cause to believe  
10 4 such action is necessary in the public interest because of a  
10 5 material deficiency in an audit of the governmental  
10 6 subdivision filed with the auditor of state or because of a  
10 7 substantial failure of the audit to comply with the standards  
10 8 and procedures established and published by the auditor of  
10 9 state.  
10 10 b. (2) The auditor of state receives from an elected  
10 11 official or employee of the governmental subdivision a written  
10 12 request for a complete or partial reaudit of the governmental  
10 13 subdivision.  
10 14 c. (3) The auditor of state receives a petition signed by  
10 15 at least ~~fifty~~ one hundred eligible electors of the  
10 16 governmental subdivision requesting a complete or partial  
10 17 reaudit of the governmental subdivision. If the governmental  
10 18 subdivision has not contracted with or employed a certified  
10 19 public accountant to perform an audit of the fiscal year in  
10 20 which the petition is received by the auditor of state, the  
10 21 auditor of state may perform an audit required by subsection 1  
10 22 or 3.  
10 23 b. The ~~state audit reaudit~~ shall be paid from the proper  
10 24 public funds available in the office of the auditor of state.  
10 25 In the event the audited governmental subdivision recovers  
10 26 damages from a person performing a previous audit due to  
10 27 negligent performance of that audit or breach of the audit  
10 28 contract, the auditor of state shall be entitled to  
10 29 reimbursement on an equitable basis for funds expended from  
10 30 any recovery made by the governmental subdivision.  
10 31 ~~An examination under this subsection shall include a~~  
~~10 32 determination of whether investments by the governmental~~  
~~10 33 subdivision are authorized by state law.~~  
10 34 Sec. 16. Section 11.6, subsection 7, Code 2007, is amended  
10 35 to read as follows:  
11 1 7. The auditor of state shall make guidelines available to  
11 2 the public setting forth accounting and auditing standards and  
11 3 procedures and audit and legal compliance programs to be  
11 4 applied in the audit or examination of the governmental  
11 5 subdivisions of the state, which shall require a review of ~~the~~  
11 6 internal control ~~structure~~ and specify testing of ~~transactions~~  
11 7 for compliance. The guidelines shall include a requirement  
11 8 that the certified public accountant and governmental  
~~11 9 subdivision~~ immediately notify the auditor of state regarding  
11 10 any suspected embezzlement ~~or, theft, or other significant~~  
~~11 11 financial irregularities.~~ The auditor of state shall also  
11 12 provide standard reporting formats for use in reporting the  
11 13 results of an examination audit of a governmental subdivision.  
11 14 Sec. 17. Section 11.6, subsection 9, Code 2007, is amended  
11 15 to read as follows:  
11 16 9. The Accounts of the Iowa state association of counties  
11 17 ~~shall keep accounts as required by the auditor of state.~~  
~~11 18 These accounts, the Iowa league of cities, and the Iowa~~  
~~11 19 association of school boards~~ shall be audited annually by  
11 20 either the auditor of state or a certified public accountant  
11 21 certified in the state of Iowa. The audit shall state all  
11 22 moneys expended for expenses incurred by and salaries paid to  
11 23 legislative representatives and lobbyists of the association  
11 24 audited.  
11 25 Sec. 18. Section 11.6, subsection 10, Code 2007, is  
11 26 amended to read as follows:  
11 27 10. a. The auditor of state shall adopt rules in  
11 28 accordance with chapter 17A to establish and collect a filing

11 29 fee for the filing of each report of ~~examination audit~~  
11 30 conducted pursuant to subsections 1 through 3. The funds  
11 31 collected shall be maintained in a segregated account for use  
11 32 by the office of the auditor of state in performing ~~audits~~  
~~11 33 conducted its duties pursuant to subsection 4 and for work~~  
~~11 34 paper reviews conducted pursuant to subsection 5 this section.~~  
11 35 Any funds collected by the auditor pursuant to subsection 4  
12 1 shall be deposited in this account. Notwithstanding section  
12 2 8.33, the funds in this account shall not revert at the end of  
12 3 any fiscal year.  
12 4 b. The auditor of state shall adopt rules in accordance  
12 5 with chapter 17A to establish and collect a report fee with  
12 6 the submission of each annual financial report filed by a city  
12 7 with the office of auditor of state pursuant to section 384.22  
12 8 when such city is not required to submit a filing fee pursuant  
12 9 to paragraph "a" of this subsection. The funds collected  
12 10 shall be maintained in a segregated account for use by the  
12 11 office of the auditor of state for administrative and related  
12 12 costs associated with the analysis of annual financial reports  
12 13 and for examinations performed when a governmental subdivision  
12 14 demonstrates to the auditor of state that the subdivision  
12 15 lacks the funds to pay for such examinations performed by the  
12 16 auditor of state. Notwithstanding section 8.33, the funds in  
12 17 this account shall not revert at the end of any fiscal year.

12 18 Sec. 19. Section 11.6, Code 2007, is amended by adding the  
12 19 following new subsection:

12 20 NEW SUBSECTION. 11. Each governmental subdivision shall  
12 21 keep its records and accounts in such form and by such methods  
12 22 as to be able to exhibit in its reports the matters required  
12 23 by the auditor of state, unless a form or method is otherwise  
12 24 specifically prescribed by law. Each governmental subdivision  
12 25 shall keep its records and accounts in current condition.

12 26 Sec. 20. Section 11.11, Code 2007, is amended by striking  
12 27 the section and inserting in lieu thereof the following:

12 28 11.11 SCOPE OF AUDITS.

12 29 The written report of the audit of a governmental  
12 30 subdivision shall include the auditor's opinion about whether  
12 31 a governmental subdivision's financial statements are  
12 32 presented fairly in all material respects in conformity with  
12 33 generally accepted accounting principles or with an other  
12 34 comprehensive basis of accounting. As a part of conducting an  
12 35 audit of a governmental subdivision, an evaluation of internal  
13 1 control and tests for compliance with laws and regulations  
13 2 shall be performed.

13 3 Sec. 21. Section 11.14, Code 2007, is amended to read as  
13 4 follows:

13 5 11.14 REPORTS == PUBLIC INSPECTION.

13 6 1. A written report of such examination an audit or  
13 7 examination shall be made in triplicate signed and verified by  
~~13 8 the officers making the examination; one copy to be provided~~  
~~13 9 to the governmental subdivision and filed with the auditor of~~  
13 10 state, one copy with the officer under investigation, and one  
~~13 11 copy to the county auditor who shall transmit same to the~~  
~~13 12 board of supervisors if a county office is under~~  
~~13 13 investigation, or with the president of the school board if a~~  
~~13 14 school is under investigation, or with the mayor and the~~  
~~13 15 council if a city office is under examination.~~ All reports  
13 16 shall be open to public inspection, including copies on file  
13 17 in the office of the state auditor, and refusal on the part of  
13 18 any public official to permit such inspection when such  
13 19 reports have been filed with the state auditor shall  
13 20 constitute a simple misdemeanor.

13 21 2. In addition to the foregoing subsection 1, notice that  
13 22 the report has been filed shall be forwarded immediately to  
13 23 each newspaper, radio station, or television station located  
13 24 in the county, municipality or school district governmental  
~~13 25 subdivision which is under investigation or audit, except~~  
~~13 26 that. However, if there is no newspaper, radio station, or~~  
13 27 television station located therein in the governmental  
13 28 subdivision, such notice shall be sent to the official  
13 29 newspapers of the county.

13 30 Sec. 22. Section 11.19, Code 2007, is amended to read as  
13 31 follows:

13 32 11.19 AUDITOR'S POWERS AND DUTIES.

13 33 Where an audit or examination is made under contract with,  
13 34 or employment of, certified ~~or registered~~ public accountants,  
13 35 the auditor shall, in all matters pertaining to an authorized  
14 1 audit or examination, have all of the powers and be vested  
14 2 with all the authority of state auditors employed by the  
14 3 auditor of state, and the cost ~~and expense~~ of the audit or  
14 4 examination shall be paid by the city, school district, or

~~14 5 township governmental subdivision procuring the audit or~~  
~~14 6 examination. An itemized sworn A detailed statement of the~~  
~~14 7 per diem and expense cost of the auditor audit or examination~~  
~~14 8 shall be filed with the clerk of the city, township, or school~~  
~~14 9 district, before payment thereof governmental subdivision.~~  
~~14 10 Upon completion of such audit or examination, a signed copy~~  
~~14 11 thereof of the report and a detailed, itemized statement of~~  
~~14 12 cost, including hours spent performing the audit or~~  
~~14 13 examination, shall be filed by the accountant employed with~~  
~~14 14 the auditor of state in a manner specified by the auditor of~~  
~~14 15 state.~~

~~14 16 All reports shall be open to public inspection, including~~  
~~14 17 copies on file in the office of the state auditor, and refusal~~  
~~14 18 on the part of any public official to permit such inspection~~  
~~14 19 when such reports have been filed with the state auditor,~~  
~~14 20 shall constitute a simple misdemeanor.~~

~~14 21 In addition to the foregoing, notice that the report has~~  
~~14 22 been filed shall be forwarded immediately to each newspaper,~~  
~~14 23 radio station or television station located in the city,~~  
~~14 24 school district or township which is under investigation or~~  
~~14 25 audit; except that if there is no newspaper, radio station or~~  
~~14 26 television station located therein, the notice shall be sent~~  
~~14 27 to the official newspapers of the county.~~

~~14 28 Failure to file the report and the statement of cost with~~  
~~14 29 the auditor of state within thirty days after receiving~~  
~~14 30 notification of not receiving the audit report and the~~  
~~14 31 statement of cost shall bar the accountant from making any~~  
~~14 32 governmental subdivision audits or examinations under section~~  
~~14 33 11.6 for the following fiscal year.~~

~~14 34 Sec. 23. Section 11.20, Code 2007, is amended to read as~~  
~~14 35 follows:~~

~~15 1 11.20 BILLS == AUDIT AND PAYMENT.~~

~~15 2 If the audit or examination is made by the auditor of state~~  
~~15 3 under this chapter, each auditor shall file with the auditor~~  
~~15 4 of state an itemized, certified and sworn voucher of time and~~  
~~15 5 expense for the time that the auditor is actually engaged in~~  
~~15 6 the audit or examination. The salaries shall be included in a~~  
~~15 7 two-week payroll period. Upon approval of the auditor of~~  
~~15 8 state, the director of the department of administrative~~  
~~15 9 services may issue warrants for the payment of the vouchers~~  
~~15 10 and salary payments, including a prorated amount for vacation~~  
~~15 11 and sick leave, from any unappropriated funds in the state~~  
~~15 12 treasury. Repayment to the state shall be made as provided by~~  
~~15 13 section 11.21.~~

~~15 14 Sec. 24. Section 11.21, Code 2007, is amended to read as~~  
~~15 15 follows:~~

~~15 16 11.21 REPAYMENT == OBJECTIONS.~~

~~15 17 Upon payment by the state of the salary and expenses, the~~  
~~15 18 auditor of state shall file with the warrant-issuing officer~~  
~~15 19 of the county, municipality or school, governmental~~  
~~15 20 subdivision whose offices were audited or examined, a sworn~~  
~~15 21 statement consisting of the itemized expenses paid and~~  
~~15 22 prorated salary costs paid under section 11.20. Upon audit~~  
~~15 23 and approval by the board of supervisors, council or school~~  
~~15 24 board, the warrant-issuing officer shall draw a warrant for~~  
~~15 25 the amount on the county, or on the general fund of the~~  
~~15 26 municipality or school in favor of the auditor of state, which~~  
~~15 27 warrant shall be placed to the credit of the general fund of~~  
~~15 28 the state governing body of the governmental subdivision.~~  
~~15 29 payment shall be made from the proper public funds of the~~  
~~15 30 governmental subdivision. In the event of the disapproval by~~  
~~15 31 the governing body of the governmental subdivision of any~~

~~15 32 items of said included on the statement by the county,~~  
~~15 33 municipality, or school authorities, written objections shall~~  
~~15 34 be filed with the auditor of state within thirty days from the~~  
~~15 35 filing thereof of the sworn statement with the warrant-issuing~~  
~~16 1 officer of the governmental subdivision. Disapproved items of~~  
~~16 2 the statement shall be paid the auditor of state upon~~  
~~16 3 receiving final decisions emanating from public hearing~~  
~~16 4 established by the auditor of state.~~

~~16 5 Whenever the county board of supervisors, the school board,~~  
~~16 6 or the council shall file governing body of the governmental~~  
~~16 7 subdivision files written objections on the question of~~  
~~16 8 compensation and expenses with the auditor of state, the~~  
~~16 9 auditor or the auditor's representative shall hold a public~~  
~~16 10 hearing in the municipality governmental subdivision where the~~  
~~16 11 audit or examination was made and shall give the complaining~~  
~~16 12 board notice of the time and place of hearing. After such~~  
~~16 13 hearing the auditor shall have the power to reduce the~~  
~~16 14 compensation and expenses of the auditor whose bills have been~~  
~~16 15 questioned. Any auditor who shall be found guilty of~~

~~16 16 falsifying an expense voucher or engagement report shall be~~  
~~16 17 immediately discharged by the auditor of state and shall not~~  
~~16 18 be eligible for re-employment. Such auditor must thereupon~~  
~~16 19 reimburse the auditor of state for all such compensation and~~  
~~16 20 expenses so found to have been overpaid and in the event of~~  
~~16 21 failure to do so, the auditor of state may collect the same~~  
~~16 22 amount from the auditor's surety by suit, if necessary.~~

16 23 Sec. 25. Section 11.28, Code 2007, is amended to read as  
16 24 follows:

16 25 11.28 INDIVIDUAL AUDIT OR EXAMINATION REPORTS == COPIES.  
16 26 1. ~~The individual audit~~ Audit or examination reports shall  
16 27 include applicable exhibits and ~~schedules to report data~~  
16 28 ~~similar to that required by section 11.4, findings, and~~  
16 29 ~~recommendations. The format of the reports shall as nearly as~~  
16 30 ~~possible correspond and be prepared similar in form to the~~  
16 31 ~~audit reports rendered by certified public accountants comply~~  
16 32 ~~with applicable professional standards. The reports shall~~  
16 33 ~~include information as to the assets and liabilities of the~~  
16 34 ~~various departments and institutions audited as of the~~  
16 35 ~~beginning and close of the fiscal year audited, the receipts~~  
17 1 ~~and expenditures of cash, the disposition of materials and~~  
17 2 ~~other properties, and the net income and net operating cost.~~  
17 3 ~~The Where applicable, the reports shall also set forth the~~  
17 4 ~~average cost per year for the inmates, members, clients,~~  
17 5 ~~patients, and students served in the various classifications~~  
17 6 ~~of expenses. The reports shall make comparisons of the~~  
17 7 ~~average costs and classifications, and shall give such other~~  
17 8 ~~information, suggestions, and recommendations as may be deemed~~  
17 9 ~~of advantage and to the best interests of the taxpayers of the~~  
17 10 ~~state.~~

17 11 2. ~~The daily audit report of the state treasury shall be~~  
17 12 ~~submitted to the director of the department of administrative~~  
17 13 ~~services and the director of the department of management.~~  
17 14 ~~Copies of all individual audit reports of all state~~  
17 15 ~~departments and establishments shall be transmitted to the~~  
17 16 ~~directors' offices after the completion of each audit, and~~  
17 17 ~~copies of all local government audits shall, until otherwise~~  
17 18 ~~provided, be also supplied to the directors' offices. Copies~~  
17 19 ~~of the local government audit reports shall also be supplied~~  
17 20 ~~to the officers of the counties, schools, and cities, as~~  
17 21 ~~provided by law. Summaries of the findings, recommendations,~~  
17 22 ~~and comparisons, together with any other information deemed~~  
17 23 ~~essential, shall be printed and distributed to members of the~~  
17 24 ~~general assembly.~~

17 25 Sec. 26. Section 11.32, Code 2007, is amended to read as  
17 26 follows:

17 27 11.32 CERTIFIED ACCOUNTANTS EMPLOYED.  
17 28 Nothing in this chapter ~~will~~ shall prohibit the auditor of  
17 29 state, with the prior written permission of the state  
17 30 executive council, from employing certified public accountants  
17 31 ~~or registered public accountants~~ for specific assignments.  
17 32 ~~Under the provision of this section, the~~ The auditor of state  
17 33 may employ such accountants for any assignment now expressly  
17 34 reserved to the auditor of state. Payments, after approval by  
17 35 the executive council, will be made to the accountants so  
18 1 employed from funds from which the auditor of state would have  
18 2 been paid had the auditor of state performed the assignment,  
18 3 or if no such specific funds are indicated, then payment will  
18 4 be made from the funds of the executive council.

18 5 Sec. 27. Section 11.36, subsection 1, Code Supplement  
18 6 2007, is amended to read as follows:

18 7 1. The auditor of state may, at the request of a  
18 8 department, review, during normal business hours upon  
18 9 reasonable notice of at least twenty-four hours, the audit  
18 10 working papers prepared by a certified public accountant  
18 11 covering the receipt and expenditure of state or federal funds  
18 12 provided by the department to any other entity to determine if  
18 13 the receipt and expenditure of those funds by the entity is  
18 14 consistent with the laws, rules, regulations, and contractual  
18 15 agreements governing those funds. Upon completion of the  
18 16 review, the auditor of state shall report whether, in the  
18 17 auditor of state's judgment, the auditor of state believes the  
18 18 certified public accountant's working papers adequately  
18 19 demonstrate that the laws, rules, regulations, and contractual  
18 20 agreements governing the funds have been substantially  
18 21 complied with. If the auditor of state does not believe the  
18 22 certified public accountant's working papers adequately  
18 23 demonstrate that the laws, rules, regulations, and contractual  
18 24 agreements have been substantially complied with or believes a  
18 25 complete or partial reaudit is necessary based on the  
18 26 provisions of section 11.6, subsection 4, paragraph "a" 1



18 27 subparagraph (1) or ~~"b"~~ subparagraph (2), the auditor of state  
18 28 shall notify the certified public accountant and the  
18 29 department of the actions the auditor of state believes are  
18 30 necessary to determine whether the entity is in substantial  
18 31 compliance with those laws, rules, regulations, and  
18 32 contractual agreements. The auditor of state may assist  
18 33 departments with actions to determine whether the entity is in  
18 34 substantial compliance. Departments requesting the review  
18 35 shall reimburse the auditor of state for the cost of the  
19 1 review and any subsequent assistance provided by the auditor  
19 2 of state.

19 3 Sec. 28. Section 11.36, Code Supplement 2007, is amended  
19 4 by adding the following new subsection:  
19 5 NEW SUBSECTION. 4. When, in the auditor of state's  
19 6 judgment, the auditor of state finds sufficient information is  
19 7 available to demonstrate a governmental subdivision may not  
19 8 have substantially complied with the laws, rules, regulations,  
19 9 and contractual agreements governing public funds, the auditor  
19 10 of state shall establish actions to be taken to determine  
19 11 whether substantial compliance with those laws, rules,  
19 12 regulations, and contractual agreements has been achieved by  
19 13 the governmental subdivision receiving public funds. Payment  
19 14 for the examination shall be made from the proper public funds  
19 15 of the governmental subdivision.

19 16 Sec. 29. Section 11.41, Code 2007, is amended by adding  
19 17 the following new subsection:  
19 18 NEW SUBSECTION. 1A. Auditors shall have the right while  
19 19 conducting audits or examinations to have full access to all  
19 20 papers, books, records, and documents of any officers or  
19 21 employees and shall have the right, in the presence of the  
19 22 custodian or the custodian's designee, to have full access to  
19 23 the cash drawers and cash in the official custody of the  
19 24 officer or employee and, during business hours, to examine the  
19 25 public accounts of the department or governmental subdivision  
19 26 in any depository which has public funds in its custody  
19 27 pursuant to the law.

19 28 Sec. 30. Section 11.41, subsection 2, Code 2007, is  
19 29 amended to read as follows:  
19 30 2. If the information, records, instrumentalities, and  
19 31 properties sought by the auditor of state are required by law  
19 32 to be kept confidential, the auditor of state shall have  
19 33 access to the information, records, instrumentalities, and  
19 34 properties, but shall maintain the confidentiality of all such  
19 35 information and is subject to the same penalties as the lawful  
20 1 custodian of the information for dissemination of the  
20 2 information. ~~However, the~~ The auditor of state shall ~~not also~~  
20 3 have access to the income tax returns of individuals for the  
20 4 sole purpose of completing the annual audit of the state of  
20 5 Iowa.

20 6 Sec. 31. NEW SECTION. 11.42 DISCLOSURES PROHIBITED.  
20 7 1. Notwithstanding chapter 22, information received during  
20 8 the course of any audit or examination, including allegations  
20 9 of misconduct or noncompliance, and the identity of the  
20 10 individual or petitioners requesting an audit, reaudit, or  
20 11 examination under section 11.6 or the identity of any other  
20 12 individual or group of individuals providing information which  
20 13 leads to an audit or examination, and all audit or examination  
20 14 work papers shall be maintained as confidential.

20 15 2. Information maintained as confidential as provided by  
20 16 this section may be disclosed for any of the following  
20 17 reasons:

- 20 18 a. As necessary to complete the audit or examination.
- 20 19 b. As necessary to explain a decision by the auditor not  
20 20 to conduct an audit or reaudit.
- 20 21 c. To the extent the auditor is required by law to report  
20 22 the same or to testify in court.

20 23 3. Upon completion of an audit or examination, a report  
20 24 shall be prepared as required by section 11.28 and all  
20 25 information included in the report shall be public  
20 26 information.

20 27 4. Any violation of this section shall be grounds for  
20 28 termination of employment with the auditor of state.

20 29 Sec. 32. NEW SECTION. 11.51 SUBPOENAS.  
20 30 The auditor of state shall, in all matters pertaining to an  
20 31 authorized audit or examination, have power to issue subpoenas  
20 32 of all kinds, administer oaths and examine witnesses, either  
20 33 orally or in writing, and the expense attending the same,  
20 34 including the expense of taking oral examinations, shall be  
20 35 paid as other expenses of the auditor.

21 1 Sec. 33. NEW SECTION. 11.52 REFUSAL TO TESTIFY.  
21 2 In case any witness duly subpoenaed refuses to attend, or

21 3 refuses to produce documents, books, and papers, or attends  
21 4 and refuses to make oath or affirmation, or, being sworn or  
21 5 affirmed, refuses to testify, the auditor of state or the  
21 6 auditor's designee may apply to the district court, or any  
21 7 judge of said district having jurisdiction thereof, for the  
21 8 enforcement of attendance and answers to questions as provided  
21 9 by law in the matter of taking depositions.

21 10 Sec. 34. NEW SECTION. 11.53 REPORT FILED WITH COUNTY  
21 11 ATTORNEY.

21 12 If an audit or examination discloses any irregularity in  
21 13 the collection or disbursement of public funds, in the  
21 14 abatement of taxes, or other findings the auditor believes  
21 15 represent significant noncompliance, a copy of the report  
21 16 shall be filed with the county attorney, and it shall be the  
21 17 county attorney's duty to cooperate with the state auditor,  
21 18 and, in proper cases, with the attorney general, to secure the  
21 19 correction of the irregularity.

21 20 Sec. 35. NEW SECTION. 11.54 DUTY OF ATTORNEY GENERAL.

21 21 In the event an audit or examination discloses any grounds  
21 22 which would be grounds for removal from office, a copy of the  
21 23 report shall be provided and filed by the auditor of state in  
21 24 the office of the attorney general of the state, who shall  
21 25 thereupon take such action as, in the attorney general's  
21 26 judgment, the facts and circumstances warrant.

21 27 Sec. 36. NEW SECTION. 11.55 STATE AUDITORS.

21 28 1. The auditor of state shall appoint such number of state  
21 29 auditors as may be necessary to make audits and examinations  
21 30 as required in this chapter. The auditors shall be of  
21 31 recognized skill and integrity and familiar with the system of  
21 32 accounting used in departments or governmental subdivisions  
21 33 and with the laws relating to the affairs of departments or  
21 34 governmental subdivisions. Such auditors shall be subject at  
21 35 all times to the direction of the auditor of state.

22 1 2. The auditor of state shall appoint such additional  
22 2 assistants to the auditors as may be necessary, who shall be  
22 3 subject to discharge at any time by the auditor of state.

22 4 3. Any auditor or assistant who is found guilty of  
22 5 falsifying a time and expense voucher or engagement report  
22 6 shall be immediately discharged by the auditor of state and  
22 7 shall not be eligible for reemployment. Such auditor or  
22 8 assistant must thereupon reimburse the auditor of state for  
22 9 all such compensation and expenses so found to have been  
22 10 overpaid and in the event of failure to do so, the auditor of  
22 11 state may collect the same amount from the auditor's surety by  
22 12 suit, if necessary.

22 13 Sec. 37. Section 123.58, Code 2007, is amended to read as  
22 14 follows:

22 15 123.58 AUDITING.

22 16 All provisions of sections 11.6, ~~11.7, 11.10,~~ 11.11, 11.14,  
22 17 11.21, ~~11.41,~~ and ~~11.23~~ 11.55, relating to auditing of  
22 18 financial records of governmental subdivisions which are not  
22 19 inconsistent with this chapter are applicable to the division  
22 20 and its offices, warehouses, and depots.

22 21 Sec. 38. Section 279.38, unnumbered paragraph 1, Code  
22 22 2007, is amended to read as follows:

22 23 Boards of directors of school corporations may pay, out of  
22 24 funds available to them, reasonable annual dues to the Iowa  
22 25 association of school boards. The financial condition and  
22 26 transactions of the Iowa association of school boards shall be  
22 27 audited ~~in the same manner as school corporations~~ as provided  
22 28 in section 11.6. In addition, annually the Iowa association  
22 29 of school boards shall publish a listing of the school  
22 30 districts and the annual dues paid by each and shall publish  
22 31 an accounting of all moneys expended for expenses incurred by  
22 32 and salaries paid to legislative representatives and lobbyists  
22 33 of the association.

22 34 Sec. 39. Section 331.756, subsection 11, Code Supplement  
22 35 2007, is amended to read as follows:

23 1 11. Cooperate with the auditor of state to secure  
23 2 correction of a financial irregularity as provided in section  
23 3 ~~11.15~~ 11.53.

23 4 Sec. 40. Section 364.5, unnumbered paragraph 2, Code 2007,  
23 5 is amended to read as follows:

23 6 The financial condition and the transactions of the Iowa  
23 7 league of cities shall be audited ~~in the same manner as cities~~  
23 8 as provided in section 11.6.

23 9 Sec. 41. Section 422.20, subsection 3, unnumbered  
23 10 paragraph 1, Code 2007, is amended to read as follows:

23 11 Unless otherwise expressly permitted by section 8A.504,  
23 12 section 11.41, subsection 2, section 421.17, subsections 22,  
23 13 23, and 26, sections 252B.9, 421.19, 421.28, 422.72, and

23 14 452A.63, and this section, a tax return, return information,  
23 15 or investigative or audit information shall not be divulged to  
23 16 any person or entity, other than the taxpayer, the department,  
23 17 or internal revenue service for use in a matter unrelated to  
23 18 tax administration.  
23 19 Sec. 42. Section 422.72, subsection 3, unnumbered  
23 20 paragraph 1, Code 2007, is amended to read as follows:  
23 21 Unless otherwise expressly permitted by section 8A.504,  
23 22 section 11.41, subsection 2, section 421.17, subsections 22,  
23 23 23, and 26, sections 252B.9, 421.19, 421.28, 422.20, and  
23 24 452A.63, and this section, a tax return, return information,  
23 25 or investigative or audit information shall not be divulged to  
23 26 any person or entity, other than the taxpayer, the department,  
23 27 or internal revenue service for use in a matter unrelated to  
23 28 tax administration.  
23 29 Sec. 43. Sections 11.7 through 11.10, 11.12, 11.13, 11.15,  
23 30 11.16, 11.17, 11.23, 11.25, and 11.27, Code 2007, are  
23 31 repealed.

#### 23 32 EXPLANATION

23 33 This bill makes changes relating to the duties and  
23 34 responsibilities of the auditor of state.

23 35 Code section 11.1 is amended to define examination as a  
24 1 procedure less in scope than an audit but which is directed at  
24 2 reviewing financial activities and compliance with legal  
24 3 requirements. Governmental subdivision is also defined to  
24 4 mean cities, administrative agencies of cities, city  
24 5 hospitals, counties, county hospitals, memorial hospitals,  
24 6 chapter 28E entities, community colleges, area education  
24 7 agencies, and school districts.

24 8 Code section 11.2, concerning annual settlements and  
24 9 audits, is amended to eliminate language referring to  
24 10 settlement between state officers and persons receiving or  
24 11 expending state funds, but the requirement to make an annual  
24 12 audit remains. The Code section is also amended to eliminate  
24 13 the requirement to make a quarterly preliminary audit of the  
24 14 educational institutions of the state and the state fair  
24 15 board. The section is also amended to provide that  
24 16 departments notify the auditor regarding any suspected  
24 17 embezzlement, theft, or other financial irregularities.

24 18 Code section 11.4, concerning reports of audits, is amended  
24 19 to eliminate the requirement that the written reports contain  
24 20 comparisons of prices paid and terms obtained by the various  
24 21 departments for goods and services and the reasons, if any, if  
24 22 they differ.

24 23 Code section 11.5B, concerning repayment of audit expenses  
24 24 by state departments and agencies, is amended to add the  
24 25 office of energy independence to the list of billable  
24 26 departments and agencies.

24 27 Code section 11.6, concerning the auditing and examination  
24 28 of governmental subdivisions, is amended.

24 29 Code section 11.6(1), concerning what governmental  
24 30 subdivisions are subject to audit and how frequently, is  
24 31 amended. The bill adds community mental health centers,  
24 32 community action agencies, and community colleges to the list  
24 33 of entities requiring an annual audit. The bill also amends  
24 34 language concerning the auditing of cities by eliminating the  
24 35 requirement that cities with a population between 700 and  
25 1 2,000 shall have an audit at least once in four years. The  
25 2 bill provides that cities with a population of less than 1,500  
25 3 shall be audited upon application of taxpayers, employees, or  
25 4 elected officials of the city and provides that cities with a  
25 5 population of between 1,500 and 2,000 are now subject to the  
25 6 annual audit requirement applicable to other governmental  
25 7 subdivisions.

25 8 Code section 11.6(2), concerning the employment of  
25 9 certified public accountants by a governmental subdivision, is  
25 10 amended to provide that a written request for proposals  
25 11 process be used to employ such accountants.

25 12 Code section 11.6(3), concerning requests for an audit of a  
25 13 township or city, is amended. The bill modifies how the  
25 14 public can request an audit. The bill provides that an audit  
25 15 can be requested by application of 100 or more eligible  
25 16 electors, rather than taxpayers, of the township or city if  
25 17 the population of the township or city is 500 or more people.  
25 18 If less than 500 people, then the bill provides that 15  
25 19 percent of registered voters can make application for an  
25 20 audit.

25 21 Code section 11.6(7), concerning notification of suspected  
25 22 theft or embezzlement, is amended to provide that governmental  
25 23 subdivisions are also required to provide this notice and to  
25 24 provide that the certified public accountant performing the

25 25 audit and the governmental subdivision also notify the auditor  
25 26 of state if other significant financial irregularities are  
25 27 suspected.

25 28 Code section 11.6(9) is amended to include the Iowa league  
25 29 of cities and the Iowa association of school boards as  
25 30 entities to be audited on an annual basis. Current law  
25 31 provides for an audit of these entities under Code sections  
25 32 364.5 and 279.38 and those sections are amended to reflect  
25 33 placement of this requirement to audit in Code section 11.6.

25 34 Code section 11.6(10), which currently provides for  
25 35 collection of a filing fee for audit reports, is amended by  
26 1 establishing a report fee for the filing and review of cities'  
26 2 annual financial reports for cities not required to pay the  
26 3 filing fee for an annual audit. The level of the fee  
26 4 collected would be established by rule and would be deposited  
26 5 in a fund for use by the auditor for administrative and  
26 6 related costs associated with analysis of annual financial  
26 7 reports.

26 8 Code section 11.6 is also amended by adding a new  
26 9 subsection that provides that governmental subdivisions keep  
26 10 records current and in a format to exhibit in the reports the  
26 11 matters required by the auditor of state.

26 12 Code section 11.7, concerning appointment of state  
26 13 auditors, is repealed, but the substance of the Code section  
26 14 is transferred to new Code section 11.55.

26 15 Code section 11.8, concerning assistants to state auditors,  
26 16 is repealed, but the substance of the Code section is  
26 17 transferred to new Code section 11.55.

26 18 Code section 11.9, concerning certain local government  
26 19 auditors' salaries and expenses, is repealed.

26 20 Code section 11.10, concerning examinations, is repealed,  
26 21 but the substance of the Code section is transferred to Code  
26 22 section 11.41, subsection 1A.

26 23 Code section 11.11, concerning scope of audits, is amended  
26 24 to provide that the audit include an opinion about whether a  
26 25 governmental subdivision's financial statements are in  
26 26 conformity with generally accepted accounting principles or  
26 27 with an other comprehensive basis of accounting.

26 28 Code section 11.12, concerning subpoenas, is repealed, but  
26 29 the substance of the Code section is transferred to new Code  
26 30 section 11.51.

26 31 Code section 11.13, concerning refusal to testify, is  
26 32 repealed, but the substance of the Code section is transferred  
26 33 to new Code section 11.52.

26 34 Code section 11.14, concerning reports and public  
26 35 inspection, is amended to provide that written audit or  
27 1 examination reports shall be provided to the governmental  
27 2 subdivision and filed with the auditor of state. Current  
27 3 requirements to produce reports in triplicate and to deliver  
27 4 copies to certain designated individuals is eliminated.

27 5 Code section 11.15, concerning reports filed with the  
27 6 county attorney, is repealed, but the substance of the Code  
27 7 section is transferred to new Code section 11.53.

27 8 Code section 11.16, concerning the duty of the attorney  
27 9 general, is repealed, but the substance of the Code section is  
27 10 transferred to new Code section 11.54.

27 11 Code section 11.17, concerning prohibited disclosures, is  
27 12 repealed, but the substance of the Code section is transferred  
27 13 to new Code section 11.42.

27 14 Code section 11.19, concerning the auditor's powers and  
27 15 duties, is amended to eliminate the requirement that reports  
27 16 be open to public inspection and eliminates the criminal  
27 17 penalty for failing to permit inspection of reports that have  
27 18 been filed with the auditor of state. Provisions concerning  
27 19 the forwarding of notice that a report has been filed to the  
27 20 local media are also stricken from this Code section. Code  
27 21 section 11.14 still provides that the report is available for  
27 22 public inspection.

27 23 Code section 11.20, concerning salary payments to auditors,  
27 24 is amended by striking the provision allowing for a prorated  
27 25 amount for vacation and sick leave.

27 26 Code section 11.21, concerning repayment of auditors, is  
27 27 amended to provide that the provisions of this Code section  
27 28 apply to governmental subdivisions. The provision of this  
27 29 Code section providing for the discharge of auditors who shall  
27 30 be found guilty of falsifying an expense voucher is stricken  
27 31 from this Code section, but the substance of this provision is  
27 32 transferred to new Code section 11.55.

27 33 Code section 11.23, providing that each school officer  
27 34 install and use a system of uniform blanks and forms, is  
27 35 repealed.

28 1 Code sections 11.25 and 11.27, concerning the requirement  
28 2 of the auditor to submit a biennial report to the governor and  
28 3 to make individual audit reports, are repealed.  
28 4 Code section 11.28, concerning individual audit reports, is  
28 5 amended by striking requirements relative to the submission of  
28 6 the daily audit report and required copies of certain audit  
28 7 reports.  
28 8 Code section 11.36, concerning the review by the auditor of  
28 9 entities receiving public moneys, is amended. The Code  
28 10 section is amended to provide that the auditor has the  
28 11 authority to investigate a governmental subdivision if the  
28 12 auditor of state gains information of noncompliance that is  
28 13 sufficient to warrant an investigation. If an examination is  
28 14 warranted, the governmental subdivision is required to pay for  
28 15 it.  
28 16 Code section 11.41, concerning access to information, is  
28 17 amended to give the auditor of state access to individual tax  
28 18 returns solely for the purpose of completing the annual audit  
28 19 of the state of Iowa. Corresponding amendments are made to  
28 20 Code sections 422.20 and 422.72.  
28 21 LSB 5454XD 82  
28 22 ec/sc/14.2